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FACT

FOUNDATION FOR
ACCOUNTABILITY
AND CIVIC TRUST

OFFICE OF GENERAL

November 2, 2016

Federal Election Commission
Office of General Counsel
999 E Street, NW
Washington, D.C. 20463

MUR # 7199

Re: Patrick Murphy, Friends of Patrick Murphy, and Floridians for a Strong Middle Class

Dear Counsel,

The Foundation for Accountability and Civic Trust (FACT) is a nonprofit organization dedicated to promoting accountability, ethics, and transparency in government and civic arenas. We achieve this mission by hanging a lantern over public officials who put their own interests over the interests of the public good. In furtherance of our mission and pursuant to 52 U.S.C. § 30109(a)(1), FACT submits this complaint with the Federal Election Commission against Patrick Murphy, his campaign committee, Friends of Patrick Murphy, and an independent expenditure group formed to support Murphy's campaign, Floridians for a Strong Middle Class (Floridians Super PAC).

There have been numerous financial transfers between Murphy, his father, their family company, and the super PAC supporting Murphy's campaign. Not only does this indicate coordination between Murphy and his super PAC, but a recent \$1 million transaction further indicates that Murphy either illegally funded his super PAC or his campaign.

As detailed in FACT's complaint filed last May, Floridians Super PAC was primarily funded by contributions from entities and individuals directly tied to Murphy.¹ Coastal Construction Group is a "private, family-owned company founded and managed by Murphy's father."² Both Murphy and his father are owners of the company, with Murphy reporting he owns stock valued at \$1 to \$5 million that he obtained as a "gift" from his father.³ Both Murphy's own company and Murphy's father primarily funded Floridians

¹ FACT v. Patrick Murphy and Floridians Super PAC, MUR no. 7067.

² Kristen M. Clark, *Patrick Murphy Sold Stock in Family Company to Cover Last Minute \$1M Campaign Loan*, Tampa Bay Times, October 30, 2016 (attached as Exhibit A).

³ *Id.*

Super PAC with initial contributions totaling \$500,000.⁴ These close ties—Murphy is an owner of the company and has explained he has a close relationship with his father and they speak on a daily basis—clearly indicate illegal coordination between Murphy and his super PAC.⁵ Further, Murphy is directly using his own company to enrich his super PAC.

The intricate financial transactions between Murphy, his father, and Coastal Construction have continued. Murphy's father has contributed \$1 million to Senate Majority PAC, which recently reportedly transferred at least \$1 million to Floridians Super PAC.⁶ Murphy also sold stock in Coastal Construction for \$1 million, which he then loaned to his campaign.⁷ On its own, the stock sale raises serious questions about the validity of the initial stock gift and whether the sale presumable between family members of a closely held corporation was for market value. This internal transaction requires the Commission investigate the stock sale to determine if it was a legitimate transaction for market value, as well as the numerous other transactions.

These continuing transactions further demonstrates the direct financial ties between Murphy and the funding of his super PAC and indicates coordination between Murphy and his super PAC. Murphy cannot use his company to fund both his campaign and his super PAC. Murphy's recent stock sale demonstrates that either Murphy used his company to donate to his super PAC, or the sale of stock is simply a false financial transaction so that Murphy's father can illegally fund Murphy's campaign, or both.

In addition to investigating whether Murphy has illegally contributed to and coordinated with his super PAC, the commission should investigate whether Murphy has illegally obtained funds to loan to his campaign. If the Commission finds a violation, it should impose appropriate sanctions, enjoin the respondents from all future violations, and impose any additional and appropriate remedies to ensure compliance with the Act.

⁴ See, e.g., *FACT v. Patrick Murphy and Floridians Super PAC*, MUR no. 7067 (citing Kristen M. Clark, *Super PAC Shuffle: Murphy 'Hates' Them, But Family's Company Gives \$300K to One That Backs Him*, Miami Herald, Apr. 19, 2016; Alex Leary, *Patrick Murphy Bemoans Super PAC Era While Getting Super PAC Help*, Tampa Bay Times, Aug. 26, 2015; Jonathan Mattise, *Gift Triples U.S. Rep. Patrick Murphy's Personal Wealth*, TC Palm, Dec. 30, 2013).

⁵ See, e.g., Brent Scher, *Super PAC Spent \$1 Million on Patrick Murphy Ads After Getting \$1 Million From His Dad*, Washington Free Beacon, Aug. 23, 2016.

⁶ See, Matt Dixon, *Murphy Gets Boost From Super PAC That Had Pulled Florida Funding*, Politico, Oct. 27, 2016 (attached as Exhibit B).

⁷ Kristen M. Clark, *Patrick Murphy Sold Stock in Family Company to Cover Last Minute \$1M Campaign Loan*, Tampa Bay Times, October 30, 2016 (attached as Exhibit A).

Respectfully submitted,



Matthew G. Whitaker, Executive Director
Foundation for Accountability & Civic Trust
1717 K Street NW, Suite 900
Washington, D.C. 20006

Subscribed and sworn to before me on November 2, 2016.

A handwritten signature in cursive script, reading "Zachary S. Goodrich".

Notary Public

EXHIBIT

A

Tampa Bay Times

WINNER OF 12 PULITZER PRIZES

THE BUZZ

From the staff of the Tampa Bay Times

Patrick Murphy sold stock in family company to cover last-minute \$1M campaign loan



Kristen M. Clark, Times/Herald Tallahassee Bureau

Sunday, October 30, 2016 3:08pm

Democratic U.S. Senate candidate **Patrick Murphy** says he sold personal stock in his family's construction company, Miami-based Coastal Construction Group, in order to afford a recent \$1 million loan to his campaign.

Murphy's campaign announced the loan last week as something that would give the cash-strapped Jupiter congressman additional resources to run TV ads across the state in the final two weeks of his bid to unseat Republican incumbent U.S. Sen. **Marco Rubio**.

Rubio, however, has questioned how Murphy could have come by such a hefty loan when Murphy doesn't have the cash assets to cover it, based on his most recent congressional financial disclosure.



Democratic U.S. Senate candidate and U.S. Rep. Patrick Murphy of Jupiter

AP

"It was basically a stock sale, of stock I had," Murphy explained to reporters during a campaign visit to Tallahassee on Sunday.

When asked whether the stock in question was specifically Murphy's investment in Coastal, Murphy said: "Yes."

Paperwork is not yet available that would show how the loan was reported to the Federal Election Commission and how the stock sale was reported to the U.S. House, as required within 30 days of the sale under the 2012 STOCK Act.

"We are completely compliant with that [and] have attorneys helping out to make sure it's all compliant," Murphy said.

Murphy's campaign later Sunday did not respond to a follow-up inquiry about to whom Murphy sold his investment. Coastal is a private, family-owned company founded and managed by Murphy's father, **Tom Murphy Jr.** — who has spent at least \$2.8 million this cycle on Democratic efforts supporting his son's Senate run.

Patrick Murphy's financial disclosure from 2015 shows his net worth was between \$72,000 and almost \$4.8 million — much of that coming from stock in Coastal worth between \$1 million and \$5 million. The investment was a "gift" from Murphy's father in 2012 before Murphy took office.

Murphy has struggled with low statewide name recognition throughout his 19-month campaign, but his prospects against the well-known incumbent improved slightly around mid-October.

Two polls in the past two weeks have shown Murphy and Rubio tied. However, several others still show Rubio with a several percentage-point lead over his challenger; two released Sunday show Rubio with as much as an eight- or nine-point advantage.

"We're just trying to make sure our name ID gets as high as it can be at the end here," Murphy said of his personal loan. "At a certain point you need to be able to get on the airwaves -- radio, TV, that sort of thing -- and I really think this will help in the home stretch."

He added: "I get the sense that people are really trying to tune in, so we just want to make sure we're really covering the airwaves, so people know exactly who I am."

Asked again Sunday why Murphy won't release his tax returns -- something Rubio on Friday officially called on Murphy to do -- Murphy repeated his campaign's previous talking points that "that's what presidential candidates do."

However, in Rubio's first Senate race in 2010, Rubio, **Kendrick Meek** and **Charlie Crist** all released their tax returns. Murphy dismissed that precedent as "the first time in 20 years that that happened."

He would not say, when asked by a reporter, what harm could come from the transparency of releasing his tax returns, or even a summary of them as Rubio has done.

"I'm not running for president; that's what Marco Rubio does," Murphy quipped. He also said: "I've always released that personal financial disclosure dating back to 2011, pay a 32 percent tax rate and have for five years, and proud to be very transparent with everything in there. And the truth is, that shows more information than the tax returns."

Nationally, though, the argument for Republican presidential nominee **Donald Trump** to release his tax returns has been that those documents would reveal more specific details about the candidate's financial situation than provided in federally required financial disclosures. (Murphy co-sponsored legislation in June mandating major-party presidential candidates to release their tax returns.)

During Murphy's campaign visit to Tallahassee on Sunday -- his first since early August -- Murphy attended worship services at several black churches with Mayor **Andrew Gillum** in the morning, as part of the "Souls to the Polls" effort to encourage early voting. In the afternoon, Murphy and Gillum also stopped by an early voting site in the south-side of Tallahassee to meet with voters, before the pair attended a fundraiser for Murphy in downtown Tallahassee.

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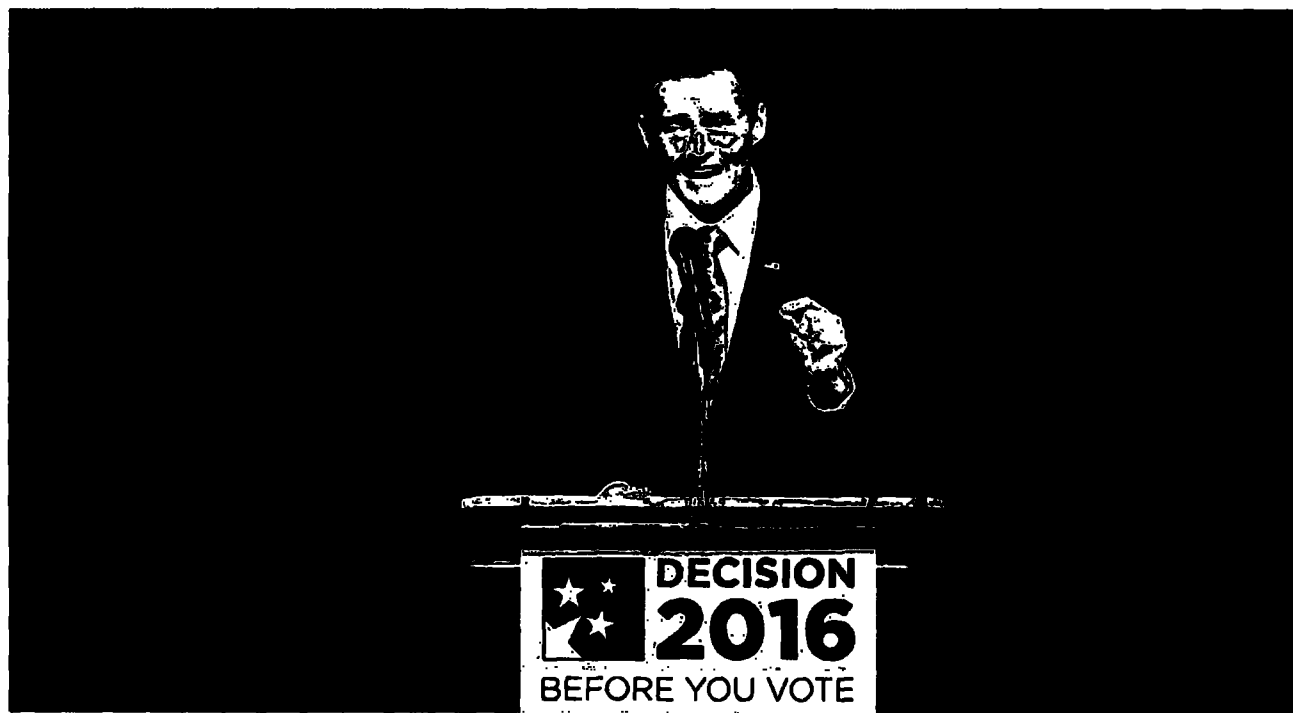
Murphy gets boost from super PAC that had pulled Florida funding

EXHIBIT

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POLITICO
POLITICOFLORIDA



Rep. Patrick Murphy speaks during a debate against Sen. Marco Rubio. | AP Photo/Wilfredo Lee

Murphy gets boost from super PAC that had pulled Florida funding

By MATT DIXON | 10/27/16 06:01 PM EDT

TALLAHASSEE — After originally canceling \$6 million in TV commercials backing U.S. Rep. Patrick Murphy's Senate campaign, a super PAC working to elect Democrats to the

Senate has decided to again spend a portion of that money in Florida.

"This race is closing. Voters know that Marco Rubio is only looking out for himself and they're going to hold him accountable for pushing a self-serving agenda at their expense," said Shripal Shah, communications director for Senate Majority PAC.

The group, tied to outgoing Senate Minority Leader Harry Reid, is making a "seven figure" transfer to Floridians for a Strong Middle Class, a pro-Murphy super PAC that has already been spending on TV ads.

The transfer is being unofficially blessed by New York Sen. Chuck Schumer, the ascending Democratic leader who has diverted money from the party's campaign arm to races in Indiana, Missouri and North Carolina, Democratic sources said.

Rubio had sizable leads over Murphy in public polling after August's primary races, but those numbers have tightened in recent weeks. The race has gotten more competitive, in part, because Rubio has been hammered for his continued endorsement of Donald Trump.

Murphy's campaign faced a gut punch when the Democratic Senatorial Campaign Committee canceled \$10 million in airtime reservations. To fill that gap, Hillary Clinton's campaign has announced it will be spending some money on the race headed into election day, Murphy has loaned his campaign \$1 million and Floridians for a Strong Middle Class put \$800,000 behind a TV ad running in the Palm Beach Media market.

Though the polls have narrowed, Rubio has consistently been in the lead. The Real Clear Politics average of polls has him leading Murphy 47-43.

-- Additional reporting contributed from Burgess Everett.